

Significant Term Action



On the State Budget For Fiscal Years 2001-2004

Louisiana State Senate
September 12, 2003

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General Overview of the FY01-04 Budgets - Expenditure Growth and Changes in Revenues

State Budget Growth

- The FY01 budget was approximately \$14.1 billion. The initial operating budget for FY04 is \$16.8 billion.
 - The numbers for FY01 are year-end actuals, and the numbers used for FY04 are appropriations as contained in Act 14 (HB 1) of the 2003 Regular Session. Actual numbers for FY04 will be different from the appropriated numbers due to budget adjustments throughout the fiscal year. Therefore, the final numbers for FY04 could increase or decrease.
- The state budget grew roughly \$2.7 billion from FY01 Actuals to FY04 Appropriated.
 - The majority of the growth is due to an increase in federal funding of health care, social services and education expenditures.
 - Also during these fiscal years, statutorily dedicated funds increased or were created, such as the Support Education in Louisiana First (SELF) Fund, tobacco settlement securitization proceeds, and increases in tobacco taxes.
 - State General Fund remained constant.
 - State General Fund actuals for FY01 totaled approximately \$6.530 billion. State General Fund revenue estimated for FY04 is approximately \$6.479 billion. This represents a decrease between FY01 actuals and the appropriated amount for FY04.
 - Since FY01, State General Fund revenue has remained in the range of \$6.4 billion.
 - Fluctuation in State General Fund Revenue – FY00 compared to FY01
 - Actual State General Fund revenue collections for FY00 were \$5.9 billion. State General Fund revenue collections for FY01 were \$6.5 billion.
 - The increase from FY00 to FY01 was primarily attributable to the suspension of the exemptions on the fourth penny, a significant increase in royalties (oil

and gas) as oil prices averaged roughly \$30 per barrel (bbl) for FY01 versus \$23 bbl for FY00, and increases in natural gas prices.

- In turn, the above mentioned increases in royalties and natural gas resulted in much higher collections in both sales and corporate taxes.

The \$2.7 billion increase in the Louisiana state budget over the last four years is attributable to a variety of factors. Some of the expenditure increases are associated with the spending priorities set by both the Governor and Legislature over the past four years. Priorities focused on education - both K-12 and colleges and universities, economic development and sustaining health care services.

It is important to note, however, that the \$2.7 billion increase is not comprised entirely of new initiatives and new spending.

A significant portion of the increase is due to the increased cost of providing existing services. For example, program workloads increased in the Department of Corrections as more persons were incarcerated and in the Office of Student Financial Assistance when increasing numbers of high school graduates qualified for awards from the Tuition Opportunity Program for Students (TOPS). The Minimum Foundation Program (MFP) contains an automatic growth factor which increased that program's base expenditure each year during the last term. Additional funds were necessary to address unexpected natural events such as floods and hurricanes over the last two years, and the terrorist attacks on September 11, 2001, resulted in increased spending for homeland security over the last three years.

A summary of some of the major increases are listed below. The following section of the report provides more highlights by service area.

K-12 Education

- Over the last four years, state funding for Louisiana's public schools through the MFP has grown by \$305 million, representing a 13.7 percent increase. The MFP is currently funded at \$2.523 billion. This marks the fourth straight year that the MFP has been fully funded.
 - Teacher pay raises account for \$196 million (64.3 percent) of the increase in the MFP over the last four years.
- Over the last four years, the state's School and District Accountability System has received \$176 million for the following initiatives: statewide testing; high-stakes summer school remediation; tutoring for the Louisiana Educational Assessment Program for the 21st Century (LEAP 21) test; rewards for schools exceeding performance targets; school improvements for poorly performing schools; distinguished educators; Graduate Exit Examination for the 21st Century (GEE 21) summer school; and professional development for educators through Learning-Intensive Networking Communities for Success (LINCS).

- Over the last four years, Louisiana's Type 2 Charter Schools have received \$71 million in state funding. (Type 2 Charter Schools receive no local funding.) These schools were created to provide an alternative to failing traditional public schools.
- Nearly \$399 million in TOPS tuition awards has been provided to Louisiana students over the last four years; this equates to 153,000 awards during that time.

Higher Education

- In FY02, the Legislature appropriated \$38.7 million from the Support Education in Louisiana First (SELF) Fund for a higher education faculty pay raise. This appropriation has been continued each year thereafter, thus totaling roughly \$116 million in SELF Fund monies for faculty pay raises.
- The Legislature has provided \$25 million in State General Fund during the past term for Endowed Chairs and Professorships.
- Since FY01, \$61 million has been appropriated for library, scientific (including research), and instructional equipment acquisitions. (This amount includes the \$3.5 million appropriation in general obligation bonds in FY04.)
- A total of \$66.5 million has been appropriated for the Higher Education Technology Initiative since its inception in FY02.
- The amount of \$7.75 million has been appropriated to the Board of Regents for the Governor's Biotechnology Initiative over the past two years.

Economic Development

- The total incentives provided to the New Orleans Saints are anticipated to cost the state about \$265.5 million from FY02 through FY11. This total cost provides the Saints with about \$78.2 million from the original lease entitlements and \$187.3 million from the ten-year additional inducements granted last year.
- The five-year estimated cost of the incentives provided to the New Orleans Hornets is \$33.6 million from FY02 through FY06.
- Over \$23 million has been appropriated to the Economic Development Awards Program (EDAP) over the past four years.
- The FY03 budget included funding completing all three phases of the four-year, \$61 million commitment for the University of New Orleans (UNO) Research and Technology Park and the U.S. Navy's Information Technology Center.

Health Care

- The Legislature appropriated \$4.5 billion for the provision of medical services to Medicaid enrollees and the uninsured in FY04, an increase greater than \$900 million from the FY01 expenditures of \$3.6 billion.

Corrections

- The total budget for the Department of Corrections has increased by almost \$69 million from FY01 to FY04. Part of this increase has been driven by growth in the adult secure population from 34,704 in June 2000 to 36,201 in June 2003, or an increase of nearly 1,500 adult inmates. At a conservatively estimated per diem rate of \$33.65 (which attempts to reflect a system-wide, blended average for incarcerated adults), it costs over \$12,200 per year to house one inmate.
- The juvenile secure population has remained relatively stable at about 1,700 inmates in state custody, yet the Office of Youth Development (OYD) has seen the largest budget increase in the department. From FY01 to FY04, OYD's budget has increased by over \$24.5 million. This is due largely to increased state payments mandated by the Juvenile Justice Settlement Agreement with the U.S. Department of Justice.

Homeland Security

- Over the course of three fiscal years, Louisiana will spend approximately \$100 million on Homeland Security Initiatives in various departments. In FY04, the state will spend about \$59 million (mostly Federal Funds) on Homeland Security Initiatives in various departments. In FY03, the state authorized \$27.2 million in spending on Homeland Security. In FY02, \$11.8 million was added to the budget for these initiatives.

Changes in Tax Policy

There were some very significant changes made in the revenue picture supporting the state budget over the last four years, namely the passage of the “Stelly Plan,” a twelve-cent increase in tobacco taxes, and the creation of the Support Education in Louisiana First (SELF) Fund supported by an increase in riverboat gaming taxes and land-based casino proceeds.

The “Stelly Plan”

- Act 88 (HB 31) of the 2002 Regular Session and Act 51 (HB 36) of the 2002 Regular Session by Representative Stelly were constitutional amendments approved by the voters in October 2002. The “Stelly Plan” compressed personal income tax brackets, eliminated the excess itemized deduction and eliminated the state sales and use tax on food, residential utilities and prescription drugs after June 30, 2003.
- Prior law provided for an individual income tax at the following rates for the following brackets:

| Rates | 2% of net income | 4% of net income | 6% of net income |
|---------------|-----------------------------|-----------------------------|-----------------------------|
| Single | Up to \$10,000 | \$10,000 to \$50,000 | Over \$50,000 |
| Joint | Up to \$20,000 | \$20,000 to \$100,000 | Over \$100,000 |

- The “Stelly Plan” changed the income tax bracket structure in the following manner:

| Rates | 2% of net income | 4% of net income | 6% of net income |
|---------------|-----------------------------|-----------------------------|-----------------------------|
| Single | Up to \$12,500 | \$12,500 to \$25,000 | Over \$25,000 |
| Joint | Up to \$25,000 | \$25,000 to \$50,000 | Over \$50,000 |

- Under the “Stelly Plan,” the net tax liability for the average return in each income category increases progressively above \$60,000. The net percentage change the average taxpayer incurs begins to decline beyond \$160,000. This is due to a fixed maximum effect resulting from bracket compression and the fact that excess federal itemized deductions grow more slowly than income grows beyond the income level of \$160,000 per year. In addition, sales taxes paid do not grow in proportion to growth in income.

State General Fund Impact of Stelly Plan Implementation

- As outlined in the Legislative Fiscal Note for the “Stelly Plan” the net impact was estimated as follows:

| Fiscal Year | Sales Tax Loss | Income Tax Gain | Net Impact |
|-----------------------|-----------------------|------------------------|-------------------|
| Fiscal Year 2002-2003 | \$64 million | \$55 million | (\$ 9 million) |
| Fiscal Year 2003-2004 | \$240 million | \$244 million | +\$4 million |
| Fiscal Year 2004-2005 | \$245 million | \$263 million | +\$18 million |
| Fiscal Year 2005-2006 | \$249 million | \$282 million | +\$33 million |
| Fiscal Year 2006-2007 | \$254 million | \$304 million | +\$50 million |

- The net revenue gain tends to increase over time because of the growth associated with the income tax (projected 7.5 percent per year trend growth). This growth rate outpaces the growth rate of the sales tax on food and utilities (projected 1.8 percent per year trend growth). As a result, after the first year, State General Fund revenues do not experience a loss. Instead, the net impact is positive.
- The “Stelly Plan” generates revenue above and beyond current income taxes levels because the plan calls for the compression of income brackets and elimination of allowing the deduction of federal excess itemized deductions.

An Additional 12 Cents Cigarette Tax

Act 19 (HB157) of the 2002 Regular Session implemented a new twelve-cent-per-pack cigarette tax that went into effect in FY03 and created the Tobacco Tax Health Care Fund for the deposit of all revenues generated by the tax.

Original estimates were that the new tax would generate approximately \$27.3 million in FY03. Actual collections produced \$31 million for FY03, and the five-year forecast estimates the tax will produce roughly \$44 million in year two and approximately \$40 million each year thereafter.

All proceeds of the tax increase are dedicated for specific purposes –

- 3¢ for the Louisiana Cancer Research Center of the LSU Health Sciences Center in the New Orleans/Tulane University Health Sciences Center;
- 2.04¢ to the Louisiana Cancer Research Center for the creation of smoking prevention mass media programs and evidence-based tobacco control programs within the public hospital system, the public school system, and community based programs (Southern University is to participate in the planning and expenditure of these funds);
- 1.96¢ for the LSU Health Science Center in Shreveport;

- 1¢ for the Office of Addictive Disorders;
- 1¢ for the LSU Agricultural Center and the Southern University Agricultural Research and Extension Center, with a provision that the Southern University Agricultural Center receive \$1 million annually from this dedication;
- 1¢ for the Drug Abuse Resistance Education (D.A.R.E.) program; and,
- 2¢ for the Department of Public Safety.

Support Education in Louisiana First (SELF) Fund – Acts 1 and 3 of the 2001 First Extraordinary Session

- Act 1 (SB 1) of the 2001 First Extraordinary Session reduced the minimum compensation payment by the land-based casino operator from 18.5 percent or \$100 million, whichever is greater, to 18.5 percent or \$60 million, whichever is greater. Proceeds from the land-based casino are dedicated to the SELF Fund.
- Act 3 (HB 2) of the 2001 First Extraordinary Session mandated dockside status for all cruising boats (in the Lake Charles, Baton Rouge, and New Orleans markets) and imposed an additional 3 percent franchise fee rate. Boats in the Red River market phased in the 3 percent increase over a two-year period, and the Bally Boat located in New Orleans is subject to a tiered rate based on monthly revenue. Proceeds generated by the increase are dedicated to the SELF fund for teacher and faculty pay raises.
- In the FY04, \$136 million is estimated to be deposited into the SELF Fund. The Fund received approximately \$126 million in FY03 and \$116 million in FY02.

Significant Term Action by Service Area

General Government Services

Executive

Private Pre-K Program

- While the monies funding public Pre-K programs flow through the Department of Education, Temporary Assistance for Needy Families (TANF) Block Grant monies supporting the Private Pre-K Program have been appropriated through the Executive Office.
- FY04 funding amounts to \$8.5 million, which is a \$2.5 million increase over the prior year. From FY02, which was the first year TANF initiatives were implemented, to FY04, over \$17 million has been spent on the Private Pre-K program.

Saints and Hornets Inducement Packages

- Inducement agreements were made during the 2002 First Extraordinary Session of the Legislature to retain the Saints NFL Football Franchise in New Orleans and to relocate the NBA Hornets Basketball Franchise from Charlotte to New Orleans.

New Orleans Saints

- The total incentives provided to the New Orleans Saints are anticipated to cost the state about \$265.5 million from FY02 through FY11 –
 - \$78.2 million from the original lease entitlements, and
 - \$187.3 million from the ten-year additional inducement agreement made in FY03.
- The additional inducement agreement includes \$6.75 million for an indoor football practice facility and related facilities and equipment, and \$180.5 million in total additional inducements payable annually on a graduated schedule.

New Orleans Hornets

- The major incentives the state agreed to pay the Hornets to relocate to New Orleans include the arena operating expenses for home games and a minimum guaranteed payment for anticipated arena naming rights proceeds.
- The state further agreed to make improvements to the New Orleans Arena and reimburse the team for its relocation expenses.
- The five-year estimated cost of these incentives to the state is \$33.6 million from FY02 through FY06 –
 - \$10 million for arena improvements;
 - \$1.75 million for relocation expenses;
 - \$6.5 million for naming rights guarantees; and,
 - approximately \$15.4 million in operating expenses.
- The \$33.6 million cost estimate does not include the extent to which the Hornets may receive tax rebates under the Louisiana Quality Jobs Program Act. This program was revised as part of the agreement to induce the Hornets to relocate to New Orleans.

Veterans Affairs

- The FY04 budget includes \$400,000 for the Southwest Louisiana War Veterans' Home in Jennings that is scheduled to open in April 2004.
- An additional \$16 million in capital outlay funding has been appropriated for planning and construction of new homes in St. John the Baptist Parish and Bossier Parish, as well as a State Veterans' Cemetery in Caddo Parish.

Economic Development

Major Revision to the Louisiana Quality Jobs Program

- The Louisiana Quality Jobs Program (Act 153 [HB 1144] of the First Extraordinary Session of 2002) authorizes the Board of Commerce and Industry, after consultation with the Departments of Labor and Revenue, to enter into contracts to grant payments (treated as refundable tax credits) from income and corporation franchise taxes for a period of up to five

years, renewable for an additional five years, as an inducement for certain employers to locate or expand in Louisiana.

- Revisions allow entry into the program and a quality jobs rebate if a firm meets one of the following conditions:
 - falls in a *Vision 20/20* cluster group;
 - is a manufacturer as defined by various industrial codes;
 - is an oil and gas field service company meeting certain wage and business conditions;
 - has 75 percent of its sales to out-of-state-customers; or,
 - has 50 percent of its sales to out-of-state customers and meet certain other business conditions.
- The payments (refundable tax credits) structure is tiered –
 - Five percent of the gross salaries of new jobs created, which pay at least 1.75 times the federal minimum hourly wage, is available as payments (refundable tax credits) to the employers.
 - Six percent of the gross salaries of new jobs created, which pay at least 2.25 times the federal minimum hourly wage and meet certain health insurance criteria, is available as payments (refundable tax credits) to the employers.
- Since FY00, the Board of Commerce and Industry has approved 51 companies which are estimated to create 9,982 jobs over the ten years of the contract. Based on the estimated salaries for the jobs created, these companies could receive payments (treated as refundable tax credits) amounting to \$185 million for these new jobs.

Economic Development Award Program (EDAP)

- The Economic Development Award Program (EDAP) funds allow the state to respond quickly to companies considering expansion in Louisiana and having pressing infrastructure requirements.
- Over the last two years, more than \$13 million has been appropriated in the capital outlay budget to meet such needs.
- For FY01 and FY02, \$5 million was appropriated for EDAP projects each year through the department's operating budget.

The University of New Orleans National Center for Advanced Manufacturing

- This project is designed to provide Louisiana a competitive edge for the development of an advanced materials composite center for large-scale structures. Monies appropriated to the department will be used for this cooperative endeavor.
- The University of New Orleans (UNO), Lockheed-Martin, and NASA will jointly operate the National Center for Advanced Manufacturing (NCAM) at the Michoud Space Facility; however, UNO will retain ownership of NCAM and its related equipment.
- Since FY00, \$18 million in funding has been provided through capital outlay appropriations for the purchase of a Universal Stir Friction Welding Machine, a Fiber-Placement Machine (FPM), associated composite fiber quality testing equipment, and Five and Ten Axis milling machines used in the final processing of the materials, and the construction of a clean-environment enclosure to house the FPM.

UNO/Northrup Grumman Project

- The FY04 budget contains \$3.5 million in Statutory Dedications from the Louisiana Economic Development Fund for debt service on infrastructure at the Northrup Grumman Ship Systems (NGSS) – Avondale facility.
- This is the first year of a 20-year commitment for this cooperative endeavor between the Department of Economic Development, the Louisiana Community and Technical College, and NGSS.

Louisiana Technology Park

- In FY04, the Louisiana Technology Park (LTP) was appropriated \$4.3 million to meet the fourth year of a \$37 million, multiple-year commitment by the state for a commercial data center and technology business incubator located at Bon Carre' in Baton Rouge. This represents a total of \$17.2 million Louisiana has invested on this project since FY01.
- LTP and six partners recently purchased Bon Carre' Mall with plans to complete the renovation and redesign of the center.
- Additionally, Cox Cable has agreed to become a tenant of the Louisiana Technology Park by relocating its Baton Rouge offices from their current location on Florida Boulevard in Baton Rouge.
- Most recently, the Total Football Network (TFN) has finalized an agreement with the Bon Carre' partners, the Tech Park, and the Department of Economic Development for TFN to establish its the base of operations for broadcast and production for the new 24/7 football network at the Bon Carre' park.

Completion of All Three Phases of the U.S. Navy Information Technology Center at the UNO Research and Technology Park

- During this term, the state has fully funded all three phases of the four-year commitment of \$61 million for the UNO Research and Technology Park and the U.S. Navy's Information Technology Center.
- Phase I provided \$24 million for construction of two buildings to house 1,000 positions associated with the U.S. Navy's Information Technology Center.
- Phase II provided \$25 for construction of a third building of 100,000 square feet and a 1,000-car parking garage and reengineering the entire military human resource information system for the Department of Defense.
- Phase III of the project provided \$12 million for completion of the third building to house 550 employees and to meet expanded functions of the human resources information system for the military.

National Center of Security Research and Training (NCSRT)

- As part of one of several new initiatives begun in FY04, \$500,000 was appropriated to the National Center for Security Research and Training (NCSRT) at LSU for chemical and bio-terrorism training and research.
- NCSRT will work with members of the LSU System, Louisiana state government, and other Louisiana higher education institutions to secure funding for research and training projects that will strengthen the ability to respond to acts of terrorism.
- This will be a continuing operational budget expense.

Good Manufacturing Practices at Gene Therapy Labs and Wet Lab Funding

- Another one of the new funding initiatives included in the FY04 budget was \$800,000 for Good Manufacturing Practices (GMP) facilities at Gene Therapy Labs for operating expenses. These monies are for the six month startup costs associated with the facility located in the Wirth Building in New Orleans. They will be used to hire key staff who will be responsible for preparing standard operating procedures required to complete FDA validation.
- The amount of \$30 million has been invested through the capital outlay budget (\$12 million in State General Fund and \$18 million in General Obligation Bonds) for planning and construction of three Wet-Laboratory Business Incubators in Shreveport, New Orleans, and Baton Rouge to provide laboratory facilities that may be leased to qualified bioscience research firms. These 60,000 square foot wet labs will attempt to recruit new businesses to

capitalize on university based bioscience research conducted at Louisiana institutions of higher education.

- In FY04, an appropriation of \$292,750 was made for Wet Lab operations in New Orleans and Shreveport.

Sports Initiatives

- The state has appropriated nearly \$11.7 million since FY00 for various sports initiatives; in most years, funding has been provided for the Sugar Bowl, the New Orleans Bowl, the Bayou Classic, the Independence bowl, red fish tournaments, and the Golf Classic.
- In FY04, the \$2.7 million in funding included the following:

| | |
|------------------------------------|-------------|
| Sugar Bowl | \$1,100,000 |
| NCAA Women's Final Four | \$500,000 |
| Independence Bowl | \$375,000 |
| New Orleans Bowl | \$350,000 |
| FORE! Kids Foundation/Golf Classic | \$250,000 |
| Bayou Classic | \$100,000 |
| Red Fish Tournament | \$37,500 |
| Hot Air Balloon Championships | \$30,000 |
| Bass Fishing Tournaments | \$25,000 |

UNO Avondale Maritime Technology Center of Excellence

- The UNO Avondale Maritime Technology Center of Excellence is a fifteen-year, \$50.2 million commitment to fund the construction of a 200,000 square foot ship design facility at the Avondale shipyard facility.
- Since the program's inception, the state has provided a total of \$40 million towards fulfillment of the contract, including the appropriation of \$4.96 million in FY04.

Culture, Recreation and Tourism

State Parks

- In the past four years, the budget for Office of State Parks has increased by \$8 million to \$21.6 million for the management of seventeen state parks, fifteen state historic sites, and one state preservation site.

- In recent years, the Capital Outlay Act provided funding to continue improving existing state parks and opening new state parks. The Capital Outlay budget for State Parks was \$69 million in FY01 and is \$112 million for FY04.
- Some of the parks included in the Capital Outlay budget include Bogue Chitto State Park (Washington Parish), Lake D'Arbonne State Park (Union Parish), Audubon State Historic Site (West Feliciana Parish), Poverty Point Reservoir State Park (West Carroll Parish), Caney Creek Lake State Park (Jackson Parish), Cypremort Point State Park (St. Mary Parish), Ft. St. Jean Baptist State Historic Site (Natchitoches Parish), Chemin-A-Haut State Park (Morehouse Parish), Lake Claiborne State Park (Claiborne Parish), Palmetto Island State Park (Vermilion), Fontainebleau State Park (St. Tammany Parish), and Tickfaw State Park (Livingston Parish).
- Rosedown Plantation was purchased by the state in FY02 for \$5.4 million to be operated as a state historical site. Over the last four years, operating funds allocated for Rosedown total \$1.4 million.

Louisiana Purchase Bicentennial Celebration

- In FY01, Louisiana began planning for the Louisiana Purchase Bicentennial – a year-long celebration of the 200th anniversary of the Louisiana Purchase. FY04 is the final year for the celebrations. In total, \$6.4 million has been spent for this event.

Transportation and Development

Federal Highway Funds

- The Capital Outlay Act has appropriated a greater amount of federal highway funds over the last four years through the Transportation Trust Fund to the Highway Program.
- The annual federal appropriation has been in the \$400 million to \$450 million range over the term due to the Federal Transportation Equity Act for the 21st Century (TEA-21). This Act provided higher funding nationwide for federal highway, highway safety, and transit programs through 2003.

Transportation Infrastructure Model for Economic Development (TIMED) Program

- The State Bond Commission authorized the Department of Transportation and Development to issue bonds for the remainder of the Transportation Infrastructure Model for Economic

Development (TIMED) Program. The total estimated cost of the TIMED Program is \$3.5 billion.

- Bonding of the remainder of the TIMED Program will allow the Department to complete construction of the projects in about ten years, or twenty years less than it would take on the pay-as-you-go basis. As of September 2003, 26 percent of the projects have been completed, and six of thirteen projects scheduled to start this year are under construction.

GARVEE Bonds

- Act 46 (SB 80) of the 2002 Regular Session allowed the State Bond Commission to issue revenue bonds known as Grant Anticipation Revenue Vehicles (GARVEE) to finance state or federal-aid transportation projects secured by annual federal transportation funds or state matching funds appropriated by an annual basis by the state. The purpose of issuing debt would be to accelerate the construction of transportation projects. As of this writing, the state has not issued debt pursuant to this legislation.
- Act 46 also limited the amount of principal and interest on such bonds to 10 percent of the annual federal highway fund obligation to DOTD. Before the Joint Legislative Committee on the Budget and the Joint Committee on Transportation, Highways and Public Works may consider for approval any proposal for issuing GARVEE bonds, prior review and written approval must be obtained by the Attorney General and the State Bond Commission on the issuance.
- Federal legislation, the National Highway System Designation Act of 1995, expanded the eligibility of bond financing costs for federal-aid reimbursement to allow states to issue debt to finance the costs of federal-aid projects based on the anticipation of future federal-aid highway funds.

Natural Resources

Louisiana Coastal Restoration

- For FY04, Act 1300 (SB 213) of the 2003 Regular Session was passed proposing a constitutional amendment to create the Louisiana Coastal Restoration Fund in the state treasury.
 - If this constitutional amendment is ratified by voters during the October 2003 primary election, the treasurer will be required to transfer into the fund up to 20 percent, in the aggregate, of the revenues received as a result of any future securitization of tobacco settlement proceeds based on the following criteria:

- The treasurer shall have written certification from the federal government that a valid federal appropriation for coastal restoration exists from which Louisiana is entitled to receive funds.
- The treasurer shall transfer only the amount necessary to match the maximum amount of federal funds available to Louisiana, but in no case shall transfers exceed 20 percent in the aggregate of the revenues received as a result of the securitization.
- Transfers shall be taken in the following proportions out of securitization revenues: one-third from the Health Excellence Fund, one-third from the Education Excellence Fund, and one-third from the TOPS Fund.
- In addition, all monies deposited into the fund shall be appropriated by the Legislature to DNR and used solely for programs to reduce coastal erosion and to restore the areas of the state directly affected by coastal erosion.
- Act 1300 also provides that each appropriation from the fund shall include performance expectations to ensure accountability in the expenditure of such monies.
- Act 1302 (SB214) of the 2003 Regular Session is a proposed constitutional amendment (appearing as Proposition #1 on the October 4 Primary Election) that authorizes the use of monies designated as non-recurring to be deposited into the Wetlands Conservation and Restoration Fund.
 - The proposed amendment also increases the cap on monies that may be deposited into the fund from \$40 million to not less than \$500 million.
 - It also provides for a \$35 million annual allocation from the Mineral Revenue Audit and Settlement Fund to the Wetlands Conservation and Restoration Fund and authorizes additional appropriations from the Mineral Fund to the Wetlands Fund.
- Act 1295 (HB 424) of the 2003 Regular Session is a proposed constitutional amendment (appearing as Proposition #3 on the October 4 Primary Election) that would limit state liability for damages caused by coastal restoration projects and compensation owed for buying private property needed for coastal restoration projects.
 - The potential fiscal impact is undetermined at this time, although the state is expected to realize a cost savings. The state is currently facing judgments totaling nearly \$1 billion due to alleged damage caused to state-issued oyster leases from freshwater diversion projects for coastal restoration.

Ground Water Management, Wetlands Conservation, and Coastal Impact

Several new initiatives were undertaken for FY02:

- Act 446 (SB 965) of the 2001 Regular Session created the Ground Water Management Commission and Ground Water Management Advisory Task Force. Act 446 provided for the development of a ground water plan to facilitate the management, protection, and regulation of the state's ground water resources. This program cost \$538,000 in State General Fund to implement in FY02, and approximately \$520,000 to annualize in FY03 and thereafter.
- A \$10 million appropriation was provided from Statutory Dedications out of the Wetlands Conservation and Restoration Fund for a coastal restoration project in Cameron Parish to preserve the coastal marsh land and to protect Louisiana Highway 82 from deterioration that may be caused by coastal erosion. This project was completed and dedicated on August 15, 2003, at Holly Beach.
- A \$26.4 million appropriation in Federal Funds from the National Oceanic and Atmospheric Administration was provided to fund the activities outlined in the State of Louisiana's Coastal Impact Assistance Plan prepared by the Department of Natural Resources.
 - The federal legislation creating this program provides assistance to states for mitigating the impact from Outer Continental Shelf oil and gas production.
 - The state-prepared assistance plan provided funding for certain activities pursuant to the federal legislation, including: a Holly Beach Sand Management Plan (\$4.8 million); the Public Oyster Resource Development Project (\$1.6 million); Leeville Bridge Preliminary Design (\$1.4 million); the Lake Salvador Shoreline Protection Project (\$1 million); the Leon Theriot Lock Project (\$1 million); a project for bank stabilization along Bush Canal and Bayou Terrebonne (\$1.8 million); and others.

Wildlife & Fisheries

Fee Increases

- In FY01, the Legislature passed a fee bill totaling \$8.3 million to increase the fees for hunting and fishing licenses for both residents and out-of-state visitors.
- The basic hunting license for Louisiana residents increased from \$10.50 to \$15 a year, while the basic resident freshwater fishing license jumped from \$4 to \$9 a year.

Enforcement Agents Pay Raise

- In FY04, a 10 percent pay raise was provided for enforcement agents statewide. The money to fund this pay raise (\$2.6 million) came from the Conservation Fund.
- The starting salary for enforcement agents will now be \$26,484 per year.

Public Safety and Corrections Services

Increase in Offender Population

- The total budget for the Department of Corrections has increased by almost \$69 million from FY01 to FY04. Part of this increase has been driven by growth in the adult secure population from 34,704 in June 2000 to 36,201 in June 2003, or an increase of nearly 1,500 adult inmates. At a conservatively estimated per diem rate of \$33.65 (which attempts to reflect a system-wide, blended average for incarcerated adults), it costs over \$12,200 per year to house one inmate.
- Other significant increases over the FY01 to FY04 time span are \$12.3 million at Louisiana State Penitentiary (Angola), the state's largest maximum security institution, and \$4.9 million at Hunt Correctional Center, which is the intake institution for the entire state correctional system.
- The juvenile secure population has remained relatively stable at about 1,700 inmates in state custody, yet the Office of Youth Development (OYD) has seen the largest budget increase in the department. From FY01 to FY04, OYD's budget has increased by over \$24.5 million. This is due largely to increased state payments mandated by the Juvenile Justice Settlement Agreement with the U.S. Department of Justice.

Pay Raises for State Troopers and Correctional Officers

- In FY01, \$5.3 million for a pay increase was provided for correctional security officers and probation and parole officers. This amount equated to a 3.5 percent raise for these officers, and brought starting salaries up from a lowest-in-the-nation \$15,324 to \$15,860. In FY02, \$16.8 million was provided to annualize a \$2,400-a-year raise for correctional security officers and probation and parole officers.
- State troopers also received a pay raise. A total of \$15.6 million was provided in FY03 to raise the starting pay of troopers from \$22,048 to \$31,304, with a salary increase to \$36,601 after one year of service. This raise was annualized for FY04 and beyond; therefore, approximately \$31 million has been spent for trooper pay raises over the last two fiscal years.

Homeland Security

- In FY03, the state spent about \$10 million on Homeland Security activities.

- Of this total, \$2.4 million was spent in Public Safety to hire 68 additional state troopers and civilians, including equipment and supplies, for homeland defense.
- In FY04, the amount received by Public Safety jumped to \$21.3 million.
 - This growth is funded by Federal Funds, which are to be transferred from the Department of Military Affairs for homeland security activities and domestic preparedness grants to local governments.

State Crime Lab/DNA Legislation

- In FY04, a total of approximately \$11 million was appropriated for DNA testing and funding crime labs. The funding is broken down as follows:
 - \$3.4 million was provided for forensic testing and CODIS database samples;
 - \$650,000 originated from surplus funds from the House of Representatives for “no-suspect rape kits” (1,083 samples);
 - \$2.5 million in Federal Funds was appropriated for “no-suspect backlog kits” (about 2,000);
 - \$4 million in State General Fund was appropriated for DNA testing of felons pursuant to Act 487 (SB 346) of the 2003 Regular Session; and,
 - \$500,000 in State General Fund was funded to help fund regional crime labs.
- In FY01, the State Crime Lab was funded at \$1.7 million; funding grew to \$3.7 million in FY02 with the addition of DNA testing for CODIS (database testing) and forensic testing; and funding further to \$5.7 million in FY03, due largely to an increase in funding for more forensic DNA testing.
- Federal Homeland Defense funding in the amount of \$163,267 was also used to fund four (4) positions for forensic scientists to perform DNA testing in FY03.

Supplemental Pay

- Under the state’s supplemental pay statutes, eligible municipal police officers, firefighters, and deputy sheriffs each receive \$300 per month, while eligible constables and justices of the peace each receive \$75 per month.
- In FY01, supplemental pay was fully funded at \$65.6 million; in FY02, it was \$68 million; in FY03, it was \$70.4 million; and for FY04, it was \$70.7 million. Over the four-year term, approximately \$274.7 million has been spent on supplemental pay.

Sheriffs' Housing of State Inmates

- Under current law, sheriffs and municipalities who house state inmates in local jails are paid \$22.39 per day per inmate for their services.
- In FY03, the statutory per diem for sheriffs was raised from \$21 to \$22.39.
- This odd number came about due to action taken for FY01 whereby 61 cents of the \$23 per diem being paid to sheriffs (\$2 more than statutory requirements) was removed to provide \$3.8 million for the DARE program.
- For FY01, total funding for Sheriffs' Housing of State Inmates was \$142.5 million; in FY02, it was \$146.2 million; for FY03, it was \$144.9 million; and for FY04, it was \$147.8 million. Over the four-year term, approximately \$581.4 million has been spent on Sheriffs' Housing.

Criminal Justice Reform Legislation

- In FY02, a number of criminal justice reform bills were introduced. These bills covered a variety of reform topics, from home incarceration to removal of mandatory minimum sentences for certain non-violent offenses. A brief synopsis of these bills is listed below (all from the 2001 Regular Session of the Legislature):
 - Act 403 (SB 239) - Removed mandatory minimum sentences for certain non-violent offenses;
 - Act 1018 (SB 460) - Permitted local facilities housing state juveniles pending secure and non-secure placement to be reimbursed excess costs, subject to an annual appropriation;
 - Act 1139 (SB1011) - Established a pilot program of home incarceration using electronic monitoring for certain offenders;
 - Act 1163 (HB 665) - Established home incarceration, particularly for DWI offenders;
 - Act 253 (HB 1039) - Expanded the IMPACT boot-camp style program to Wade Correctional Center at a cost of \$883,000, including 79 inmate slots and 16 officers; and,
 - Act 259 (HB 1242) - Provided an additional \$3 per inmate to the Orleans Parish Sheriff's Office for approximately 600 state inmates who participate in an intensive incarceration program at that facility.
- In the 2003 Regular Session of the Legislature, there were several pieces of criminal justice reform legislation; of which the following two bills had the broadest impact:

- Act 822 (SB 518) - Created the re-entry preparation program within the Department of Corrections;
- Act 1225 (HB 2018) - Established a plan for reform of the juvenile justice system, including closure and transitioning of juveniles from Swanson Correctional Center for Youth - Madison Parish Unit (formerly Tallulah Correctional Center), and development of uniform standards and licensing procedures for local juvenile detention facilities, among numerous other things.

Health and Human Services

Health Care Services

Louisiana's Medicaid Program

Eligibility Expansions

- Since the initiation of the Louisiana Children's Health Insurance Program (LaCHIP) in November 1998, Louisiana's Medicaid program has grown to provide health care services to an additional 280,000 children. Over 75 percent of these children have enrolled since the beginning of FY01.
- In FY02, Medicaid eligibility was expanded to include approximately 3,000 additional disabled children as Louisiana altered the financial parameters for determining Medicaid eligibility by exercising the option available to states under Section 4913 of the federal Balanced Budget Act of 1997.
- Beginning in FY02, Louisiana extended Medicaid eligibility to uninsured women diagnosed with breast and cervical cancer as provided for in the Breast and Cervical Cancer Prevention and Treatment Act (P.L. 106-354) passed by the federal government in 2000.
- In FY03, Medicaid coverage for pregnant women was expanded to match the eligibility thresholds for LaCHIP (family incomes at or below 200 percent of the Federal Poverty Level). This action ensured coverage from conception to age 19 for these children (assuming continued eligibility).
- New in FY04, the Legislature funded the "Ticket to Work" Program allowing disabled individuals to work and maintain access to medical care and support services by buying into the Medicaid program on a sliding scale per Act 207 (SB 305) of the 2003 Regular Session.
- In planning for future efforts to reduce the number of uninsured individuals in Louisiana, the Legislature appropriated \$500,000 in FY04 for the Department of Health and Hospitals to develop and submit a proposal to the federal government for the approval of a program to provide health insurance options to the medically indigent/uninsured via a Health Insurance Flexibility and Accountability (HIFA) Waiver in the Medicaid program per Act 813 (SB 382) of the 2003 Regular Session.

Financing and Payments to Providers of Medicaid Services

- The Legislature provided \$4.5 billion for the provision of medical services to Medicaid enrollees and the uninsured in FY04, an increase greater than \$900 million from the FY01 expenditures of \$3.6 billion.
 - Approximately \$741 million of the growth was due to increases in the payments to private and public providers of medical services for both Medicaid clientele and the uninsured. The growth in payments for services impacted a variety of provider groups, including, but not limited to:
 - \$244 million growth in payments for pharmaceutical goods and services;
 - \$152 million growth in payments for inpatient and outpatient hospital services;
 - \$104 million growth in payments for physicians' services, including the increases associated with expansion of the CommunityCARE program;
 - \$46 million growth in payments for nursing home services;
 - \$30 million growth in payments for group home and institutional services for the disabled;
 - \$26 million growth in payments for Early and Periodic Screening, Diagnosis and Treatment (EPSDT) services; and,
 - \$10 million growth in payments for rural or community health center services.
 - Funding for the various Home and Community-Based Waiver Programs - MR/DD, Children's Choice (first implemented in FY01), Adult Day Health Care, and Elderly and Disabled Adult Waiver services – grew by roughly \$106 million.
 - Additional appropriations of \$38 million were in response to lawsuit settlements –
 - \$28 million for the creation of a Medicaid State Plan Optional Personal Care Attendants Services Program beginning October 1, 2003; and'
 - \$10 million for the Behavioral Management Program for autistic individuals beginning January 1, 2004.
 - Finally, the cost of Medicare premiums for the state Medicare Buy-Ins program enrolling Medicaid/Medicare dual eligibles in the Medicare program for primary health insurance grew by \$33 million over the last four fiscal years.

- Since the first earnings were credited in FY01, the Nursing Home Intergovernmental Transfer Program has generated a balance over \$850 million in the Medicaid Trust Fund for the Elderly.

Public Health Services

- At a cost slightly above \$7 million per year, Louisiana funds over 50 school-based health centers providing access to care to over 50,000 students throughout the state.
- The Nurse Home Visitation Program will expand services statewide at a cost of \$2 million in FY04, thereby increasing total annual spending on the program to \$4 million. This program provides the services of nurses to first-time “at-risk” mothers throughout their pregnancies and the first two years of the baby’s life. The services provided by the nurses focus on educating the mothers about health, parenting, school readiness, and home safety issues.
- In response to the terror attacks in 2001 and the recognition by the federal government of the need to upgrade the public health system across the country, the Office of Public Health (OPH) will spend more than \$20 million in FY04 to ensure Louisiana is prepared for a public health crisis. The 44 positions added in FY02 remain funded today.
- Both the FY03 and FY04 Capital Outlay Acts included funding for a new central public health laboratory.
 - In FY03, OPH received \$2.3 million in non-recurring State General Fund to finalize planning and pre-construction activities.
 - In FY04, the State Bond Commission approved \$500,000 in Priority 2 and \$14.2 million in Priority 5 General Obligation Bonds from amounts appropriated in the FY04 Capital Outlay Act.

Mental Health Services

- Recognizing the need to place greater emphasis on community-centered care and to maximize all resources available, Act 193 (SB 151) of the 2001 Regular Session authorized the reorganization of mental health services into an area management structure consisting of three regions. The three region structure uniting hospital and community resources was fully implemented in FY02.
- In FY03, the Office of Mental Health (OMH) continued its efforts to improve service provision emphasizing community-based care with the addition of \$7.9 million to increase community mental health services for children and adolescents and, in turn, reducing inpatient capacity and \$4.5 million from the budget by eliminating 32 adolescent inpatient beds and 16 child inpatient beds across the state.

- A continued commitment to funding mental health pharmaceuticals and community clinics while addressing the dire need for forensic mental health services produced stability in the provision of mental health services in Louisiana.

Services for the Developmentally Disabled

- The Office for Citizens with Developmental Disabilities (OCDD) strives to strike a balance between institution-based care and community-based care.
- Funding for institutional services has remained stable for FY01-FY04 at the same time that OCDD began to restructure its provision of services placing growing emphasis on community-based care.
- In FY03, the Legislature appropriated \$4.9 million to build capacity for the provision of services in the community, as well as increasing direct funding for community services by more than \$2 million. These initiatives are continued in FY04.

Addictive Disorders Services

- Louisiana changed its approach to administering drug courts in FY02. The Louisiana State Supreme Court began oversight of the drug courts on July 1, 2001. The Office for Addictive Disorders (OAD) has and will continue to provide services for individuals enrolled in the drug court treatment slots.
- Via the funding from the Temporary Assistance Needy Families (TANF) program, OAD has increased funding for non-medical substance abuse assessment and treatment services for women with minor children over the past few fiscal years to \$4.2 million in FY04.

Charity Hospital System

- In FY04, the approved expenditures for the eight hospitals of the Louisiana State University Health Sciences Center - Health Care Services Division (HCSD) is approximately \$766 million (including over \$11 million in non-recurring funding), an increase of \$54 million over FY01 actual expenditures.

Disease Management Program

- HCSD will spend \$4.3 million State General Fund on its Disease Management Program in FY04. This is an increase of nearly \$1 million over spending in previous fiscal years to augment the operations of the various outpatient pharmacies run by HCSD at its facilities.

- The Disease Management Program targets symptom and illness management through the use of treatment protocols emphasizing preventive care, the instructing of patients on the proper use of pharmaceutical goods and services for their illness, and the case management of patients' care.
- The diseases/conditions targeted by HCSD are congestive heart failure, HIV/AIDS, diabetes, asthma, and cancer.

Structural Changes in the Division

- Act 1024 (SB 739) of the 2001 Regular Session began the restructuring of the budget of HCSD by allowing these facilities more flexibility to manage their budgets and maximize resources and efficiency based on a "Business Enterprise Model."
 - Act 1024 limited the appropriation for HCSD to State General Fund, and all other means of financing generated by the hospitals was deposited directly into an off-budget account. The LSU Board of Supervisors assumed primary authority over the budget.
 - Legislative oversight was required to monitor the success of the implementation of the new model under Act 1024. HCSD had to report quarterly to the Joint Legislative Committee on the Budget on revenue collections and expenditures and, in FY02 and FY03 only, any programmatic growth over two percent from the prior fiscal year required legislative approval.
- Act 906 (SB 867) of the 2003 Regular Session completed the overhaul of the governing statutes for HCSD.
 - Act 906 removed the statutory right to open access to broad-based care in the HCSD facilities while still guaranteeing needed emergency care to anyone. As such, HCSD will be better able to collect on charges to non-indigent patients for care. (The Act defines indigent patients as "any person whose income is below two hundred percent of the Federal Poverty Level and is uninsured.")
 - HCSD may reduce expenditures up to 35 percent of a facility's budget in one fiscal year with limits on reductions in subsequent fiscal years without prior legislative approval. However, legislative approval is required before any emergency room or an entire facility may be closed completely.
 - Finally, the act authorized the transfer of E. A. Conway Medical Center in Monroe from HCSD to the LSU Health Sciences Center – Shreveport on July 1, 2003.

Social Services

Temporary Assistance for Needy Families (TANF)

- In FY01, the state had a TANF carryover balance from prior fiscal years of approximately \$189 million.
- Beginning in FY02, a total of \$69.95 million in new allocations was provided from TANF funds for programs designed to prevent low-income families from becoming dependent on government assistance and to help those families already receiving assistance leave the welfare roll.
- Many of these programs were considered “core DSS initiatives,” but many were also implemented in other state departments, such as the LA4 Pre-K program in the Department of Education.
- In FY03, TANF initiatives received increased allocations totaling \$125.7 million.
- For FY04, the state has allocated \$117.8 million for these initiatives. Over time, some programs, such as LA4 Pre-K, have seen their allocations increase significantly (from \$15 million in FY02 to \$39 million in FY04), while other programs have been eliminated completely by FY04, such as housing assistance.

| FY04 TANF Initiatives | |
|--------------------------------|-----------------------|
| <u>Literacy</u> | |
| Public Pre-K | \$ 39,000,000 |
| Private Pre-K | \$ 8,500,000 |
| Drop-out Prevention | \$ 4,500,000 |
| After School | \$ 9,500,000 |
| Adult Literacy | \$ 1,500,000 |
| Truancy | \$ 2,430,193 |
| TOTAL LITERACY | \$ 65,430,193 |
| <u>Employment</u> | |
| Job Skills | \$ 11,750,000 |
| Microenterprise Development | \$ 641,666 |
| Incarcerated Job Skills | \$ 2,000,000 |
| Post-release programs | \$ 4,500,000 |
| TOTAL EMPLOYMENT | \$ 18,891,666 |
| <u>Family Stability</u> | |
| Teen Pregnancy | \$ 6,500,000 |
| Domestic Abuse | \$ 3,166,666 |
| Community Response | \$ 3,000,000 |
| Fatherhood Initiatives | \$ 750,000 |
| Family Strengthening | \$ 500,000 |
| CASA | \$ 4,830,000 |
| Drug Courts | \$ 5,000,000 |
| Substance Abuse | \$ 4,166,666 |
| At-risk Children/Mental Health | \$ 1,750,000 |
| Abortion Alternatives | \$ 1,500,000 |
| TOTAL FAMILY STABILITY | \$ 31,163,332 |
| <u>Other</u> | |
| DOA Oversight | \$ 1,600,000 |
| Caseworker Training | \$ 750,000 |
| TOTAL OTHER | \$ 2,350,000 |
| GRAND TOTAL | \$ 117,835,191 |

- From FY02 to FY04, about \$313.5 million in TANF funding has been allocated to initiative programs. By FY05, approximately \$22 million in TANF funding will be available for expenditure on initiatives.
- The dramatic decrease in available funding is due to the fact that the large unexpended balance which Louisiana was able to build from 1996 to 2001 has been spent down on initiatives. This means that more current year TANF funding will be needed in FY05 and beyond to fund cash assistance payments, thus leaving a comparatively small amount for initiative programs.

Note: The amounts allocated for FY02 through FY04 equal more than the \$189 million carryover balance from FY01 because, as the state was beginning to spend down its prior years' balance, it was also accruing some portion of its current year funding into the carryover balance up to FY03. FY05 will be the first year with no carryover balance available.

Strategies to Empower People (STEP) Program

- Act 58 (SB 574) of the 2003 Regular Session created the Strategies to Empower People (or STEP) program in the Department of Social Services.
- This program will replace the FIND Work program in DSS and will be the mechanism through which welfare recipients will be transitioned to the workforce.

Child Care Assistance Program

- In FY04, the Office of Family Support received \$5 million in state funding to match \$16.8 million in federal funding to strengthen the Child Care Assistance Program, which helps low-income parents afford child care by paying a subsidy towards their weekly or monthly costs.

Education Services

K-12 Education

The Minimum Foundation Program (MFP)

- Over the last four years, state funding for Louisiana's public schools through the MFP has grown by \$305 million, representing a 13.7 percent increase. The MFP is currently funded at \$2.523 billion. This marks the fourth straight year that the MFP has been fully funded.

Teacher Pay Raises

- Teacher pay raises account for \$196 million (64.3 percent) of the increase in the MFP over the last four years.
 - The average teacher salary in Louisiana increased to \$36,328 in FY02, representing a 9.7 percent increase since FY00.
 - Most of the recent increase in the average teacher salary is due to the creation of the Support Education in Louisiana First (SELF) Fund in 2001, which dedicated new riverboat gaming revenues to the MFP.

School Support Worker Pay Raises

- School support worker pay raises account for \$19 million of the increase in the MFP over the last four years.
 - The \$19 million support worker pay raise was first funded in FY03, but was not included in the MFP formula until FY04.
 - A one-time salary supplement of \$328 was provided to 38,000 support workers in FY01 at a cost of \$12.5 million.

School and District Accountability

- Over the last four years, the state's School and District Accountability System has received \$176 million for the following initiatives: statewide testing; high-stakes summer school remediation; tutoring for the Louisiana Educational Assessment Program for the 21st Century (LEAP 21) test; rewards for schools exceeding performance targets; school improvements for poorly performing schools; distinguished educators; Graduate Exit Examination for the 21st

Century (GEE 21) summer school; and professional development for educators through Learning-Intensive Networking Communities for Success (LINCS).

- Currently, \$52 million is budgeted for these initiatives.

The LA4 Program – Early Childhood Education

- Since FY02, the LA4 Program has received \$83 million in funds from the Temporary Assistance for Needy Families (TANF) Block Grant for pre-kindergarten services for at-risk 4-year-old children.
- This program is currently budgeted at \$39 million and serves approximately 8,000 children when started in FY02, the program served 1,700 children.

Charter Schools

- Over the last four years, Louisiana's Type 2 Charter Schools have received \$71 million in state funding. (Type 2 Charter Schools receive no local funding.) These schools were created to provide an alternative to failing traditional public schools.
- Louisiana's nine Type 2 Charter Schools are currently budgeted at \$20 million and serve approximately 3,200 students.

Classroom-Based Technology

- During the last four years, \$12.5 million has been appropriated through the Capital Outlay process to provide computers for the state's public, private and parochial school classrooms.
- Since this initiative began in FY97, nearly \$90 million has been either appropriated or expended, and the state's pupil-to-computer ratio has improved from 88:1 to 7:1.

The No Child Left Behind (NCLB) Act of 2001

- During the last four years, \$67.6 million in Federal Funds has been appropriated to the Department of Education pursuant to the NCLB Act of 2001.
- The intent of NCLB is to hold schools, districts and states accountable for every student's performance and address the achievement gap between wealthy majority and poor minority children.
- Louisiana has been using its NCLB funding to meet the new law's rigorous testing and accountability standards, and to begin hiring "highly qualified" new teachers.

Tuition Opportunity Program for Students (TOPS)

- Nearly \$399 million in TOPS tuition awards has been provided to Louisiana students over the last four years; this equates to 153,000 awards during that time.
- TOPS is currently budgeted at \$103.8 million for over 38,000 awards.

Higher Education

Faculty Pay

- Since FY01, approximately \$116 million has been appropriated by the state to support faculty pay at state colleges and universities.
 - In FY02, the Legislature appropriated \$38.7 million from the Support Education in Louisiana First (SELF) Fund for a higher education faculty pay raise. This funding was continued in FY03 and FY04.
 - The Board of Regents distributed the funding to the various state colleges and universities on a pro-rated basis for eligible faculty. (The raise was applicable only to academic faculty with the rank of instructor and above.)
 - The average annual faculty salary for a professor increased from \$63,412 in FY00 to \$71,180 in FY03, a 12 percent increase.

Endowed Chairs and Professorships

- Since FY01, \$49 million has been appropriated by the state to match donations to endow chairs and professorships at colleges and universities across the state.
 - Of this amount, \$25 million in State General Fund has been appropriated during the past term for Endowed Chairs and Professorships.
 - The remaining funding of \$24 million is Louisiana Quality Education Support (8g) Fund monies.
 - This state appropriation of \$49 million matched \$73.5 million in private funds for a total investment of \$122.5 million. Endowed Chairs and Professorships are funded at a rate of 40% state funds and 60% private funds that are donated to the various higher education institutions across Louisiana.

Library and Scientific Acquisitions

- Since FY01, \$61 million has been appropriated for library, scientific (including research), and instructional equipment acquisitions. (This amount includes the \$3.5 million appropriation in general obligation bonds in FY04.)
- The highest priority is placed on those acquisitions that address institutional or specific discipline accreditation, national or industry certification needs, and technology needs with an emphasis on teacher education programs.

Information Technology Initiative

- A total of \$66.5 million has been appropriated for the Higher Education Technology Initiative since its inception in FY02.
- This Technology Initiative has been funded through both recurring and non-recurring sources to target investment in university-based activities that develop technologies to create new companies, jobs and wealth in Louisiana. The initiative is designed to develop a highly trained workforce for information technology intensive workplaces.

Biotechnology Initiative

- The amount of \$7.75 million has been appropriated to the Board of Regents for the Governor's Biotechnology Initiative since its inception in FY02.
- The Biotechnology Initiative funding will provide for investment in faculty, facilities and research equipment at institutions with expertise in biotechnology research.

Higher Education Operational Enhancements / Pool Distribution Funds

- Additional funds for operating expenses or performance and quality improvements were appropriated each year of the past four fiscal years to the four-year institutions.
- The total amount of funding appropriated for these activities since FY01 is \$38.6 million.
- The funds have been used to: offset increases in utility expenses and group benefit premiums; enhance teacher education programs; improve the competitiveness of graduate student stipends; and implement enrollment management strategies, including admissions criteria.

Augmenting Cancer Research in Louisiana

The Louisiana Cancer Research Center of LSU Health Sciences Center in New Orleans/ Tulane University Health Sciences Center

- Act 41 (SB 73) of the 2002 First Extraordinary Session created the Louisiana Cancer Research Center of LSU Health Sciences Center in New Orleans/Tulane University Health Sciences Center.
- The ultimate goal of the Louisiana Cancer Research Center is to combine the resources of the two independent cancer centers into one coordinated venture that becomes a National Cancer Institute (NCI) designated cancer center.
- In order to achieve this goal, Act 24, the FY04 Capital Outlay Act, contains \$37.8 million in Health Education Authority of Louisiana (HEAL) revenue bonds for the planning and construction of the Cancer Consortium Building that will house the Louisiana Cancer Research Center.
- The funding for the operation of the Louisiana Cancer Research Center is derived from the Tobacco Tax Health Care Fund created by Act 19 (HB 157) of the 2002 Regular Session.
 - Over FY03 and FY04, this fund is projected to generate approximately \$30 million for the Louisiana Cancer Research Center.
 - One portion of the revenues generated by the increase in the tobacco tax provides operational funding for the Center.
 - The remaining portion provides funding for smoking prevention and cessation programs operated by the Center.

The Feist-Weiller Cancer Center at the LSU Health Sciences Center – Shreveport

- The LSU Health Sciences Center in Shreveport (HSC-S) operates the Feist-Weiller Cancer Center. Act 19 (HB 157) of the 2002 Regular Session also dedicated a portion (1.96¢) of the increase in the tobacco tax to HSC-S.
- By FY04, the total appropriated from the Tobacco Tax Health Care Fund for HSC-S was \$7 million - an increase of \$2.6 million over the \$4.4 million appropriated in FY03.
- For FY03 and FY04, HCS-S dedicated the new revenues to existing cancer related programs and preparing for the opening of a new clinical cancer facility.

Other Government Services

Judicial Branch

Supreme Court, Courts of Appeal, District Court, Statutory Courts, and Other Courts Pay Increases

- A 5 percent-per-year pay increase totaling \$5.1 million, pursuant to recommendations of the Judicial Compensation Commission, was provided to upgrade the salaries of judges at all levels starting in FY02 and concluding in FY04.
- Salary increases were provided for the judges of the following courts: Supreme Court; Court of Appeals; District Courts; Parish, Family, and Juvenile Courts, and City Court.

Drug Courts

- Beginning in FY02, administration of the drug court program was moved to the Louisiana Supreme Court. Prior to FY02, drug courts were administered by the Office of Addictive Disorders within the Department of Health and Hospitals.
- A total of \$39.3 million in State General Fund, Interagency Transfers, and Temporary Assistance for Needy Family (TANF) Block Grant funds has been appropriated for drug court services, including treatment, assessment, training, and other support services since FY02.
- Currently, there are 37 drug courts operating in 17 judicial districts providing treatment and other supportive services to approximately 300 juveniles and 2,000 adults.
- Of the \$39.9 million total appropriated, TANF funding has amounted to \$15 million over the term.

Court Appointed Special Advocates (CASA) Program

- Beginning with the FY02 budget, TANF monies have been included for the initiation of state funding of the Court Appointed Special Advocates (CASA) program through the Supreme Court. CASA provides services to needy children identified as abused or neglected who are at risk of being removed from their home and placed in foster care, or who have been removed and are currently in foster care.

- Currently, 2,300 children are served by CASA programs operating in 31 judicial districts.
- A total of \$13.3 million in TANF funds has been appropriated for CASA services since FY02.

Homeland Security Initiatives

Over the course of three fiscal years, Louisiana has spent approximately \$100 million on Homeland Security Initiatives in various departments. In FY04, the state will spend about \$59 million (mostly Federal Funds) on Homeland Security Initiatives in various departments. In FY03, the state authorized \$27.2 million in spending on Homeland Security. In FY02, \$11.8 million was added to the budget for these initiatives.

These activities are spread across numerous state agencies with the concentration on public health, public safety, and military affairs. The items below highlight the major expenditures on homeland security in the past few years.

DHH Office of the Secretary

- DHH will carry forward into FY04 the \$1.9 million Federal grant that was received in FY03 for the multi-year development of a bio-terrorism response plan. This project is a cooperative endeavor between DHH, the Louisiana Hospital Association and the LSU Health Sciences Center.

Office of Public Health

- Since FY02, the Office of Public Health (OPH) received almost \$47 million for homeland security activities.
- Funding to shore up Louisiana's public health system began in FY02 with \$4.6 million and increased to \$21.5 million in FY03 due to additional federal funding.
- The FY04 OPH budget contains \$20.5 million and 44 positions to detect and/or respond to a bio-terrorism event.

Office of State Police

- Since FY02, Office of State Police received almost \$29 million for homeland security activities.
- In FY04, the Office of State Police received \$21.3 million in Federal Funds which are to be interagency transferred from the Department of Military Affairs for homeland security activities and domestic preparedness grants to local governments.
- For FY03, a total of \$2.4 million for the cost associated with 68 state troopers and civilians, including equipment and supplies, was added to the budget. In addition, \$4.9 million in spending was authorized in FY02.

Military Affairs

- Since FY02, the Office of Military Affairs received \$40 million for homeland security activities.
- The Office of Military Affairs received \$34.5 million in Federal Funds for homeland security activities for FY04. Over \$21 million of this funding will be interagency transferred to the Office of State Police in the Department of Public Safety for homeland security activities and domestic preparedness grants for local entities. In addition, \$2.1 million in Federal Funds was appropriated in FY04 for the Southeast Anti-terrorism Regional Training Academy (SARTA).
- In FY03, \$1.1 million of the FY02 funding was continued in FY03 and \$100,000 was added for the Mass Civilian Casualty Simulation Project.
- In FY02, \$1.7 million and 30 positions were added by a mid-year budget adjustment to the Louisiana National Guard's budget for increased security at military installations and power plants.

Capital Outlay

Overview of the Capital Outlay Program

- The capital outlay budget sets the state's priorities for state construction projects, focusing on road improvements; flood control; state and university building maintenance and repairs; economic development projects; coastal and wetlands restoration; and state park improvements.
- Lawmakers remain committed to only funding what the state can afford.
 - In recent years, the State Constitution and state law have limited the amount of bonds that can be sold each year for construction projects.
 - Lawmakers have not only abided by the limit on debt, but also set an even lower self-imposed limit of \$200 million per year in FY01 and FY02.
 - In FY03, the self-imposed limit was raised to \$259.3 million.
 - The limited bond sales and the ability to pay off state debt early with surpluses in recent years have helped improve the state's bond rating, saving taxpayers money.
 - The Legislature has also agreed that the way the state sets aside money for local construction efforts needs to be addressed. In recent years, there has been a strong move toward funding only those local projects for which a local match has been provided.

FY01 Capital Outlay Appropriations

- Act 21 (HB 2) of the 2000 Regular Session appropriated over \$2.8 billion for the capital outlay program for state government, state institutions, and other public entities in FY01.
- Included in the total was \$31.3 million in General Fund from revenues generated by the Land-Based Casino, \$406 million in Federal Funds (not including Federal Transportation Trust Fund monies), \$406 million in Federal Transportation Trust Fund, \$132 million in Transportation Trust Fund - Regular funds, \$70.3 million in TIME funds, and \$272.8 million in Revenue Bonds.
- It should be noted that of the monies appropriated in Act 21 for the sale of general obligation bonds, \$200.0 million represents "new monies" while \$562.9 million represents "carry over" funding for those projects provided for in prior capital outlay acts, for which cash and non-cash lines of credit were granted, but bonds were not sold.

FY02 Capital Outlay Appropriations

Capital Outlay Act

- Act 22 (HB 2) of the 2001 Regular Session appropriated over \$3 billion for the capital outlay program for state government, state institutions, and other public entities.
 - Included in the total was \$7.4 million in General Fund, \$42.8 million in Federal Funds (not including Federal Transportation Trust Fund monies), \$442 million in Federal Transportation Trust Fund, \$187.2 million in State Transportation Trust Fund, \$70.3 million in TIME monies, \$72.4 million in Fees & Self-Generated monies, and over \$258.3 million in Revenue Bonds.
 - General Obligation bonds appropriated in Act 22 totaled over \$1.9 billion. It should be noted that of the monies appropriated in Act 22 for the sale of general obligation bonds, Section 17 limits the state to the granting of cash lines of credit or the issuance of general obligation bonds to a total of \$655.8 million, of which \$241.0 million represents “new monies.”
- Act 22 contained funding for a variety of significant state projects –
 - The Division of Administration received funding for a variety of purposes:
 - to continue the development of the “Capitol Complex” - including the Galvez Building, the Claiborne Building, the LaSalle Building, a visitor’s center, the Capitol Park Museum, the LaSalle Garage, and Desoto Park;
 - for major repairs, renovations, including roofing and waterproofing, and equipment replacement at various state office buildings statewide; and,
 - for major repairs, equipment replacement and site work at the various technical college campus buildings across the state.
 - The Department of Economic Development received \$7 million for equipment acquisitions for the National Center for Advanced Manufacturing in New Orleans.

Special Funding

- In addition to creating a process to allocate excess revenues to avoid budget shortfalls at the close of a fiscal year, Act 1182 (HB 1565) of the 2001 Regular Session created the Deficit Elimination/Capital Outlay Escrow Replenishment Fund to fund certain capital outlay projects that were no longer eligible for tax exempt financing.

Capital Outlay Projects Per the Saints and Hornets Agreements

- Act 164 (HB 67) of the 2002 1st Extraordinary Session amended Act 22 of the 2001 Regular Session to add projects for NBA upgrades to the New Orleans Arena and for the construction of an indoor football practice facility and related equipment for the New Orleans Saints.

New Orleans Hornets

- As part of the package to entice to the Hornets NBA Franchise to relocating to New Orleans, \$10.0 million was appropriated for Phase I improvements to the New Orleans Arena, with the improvements to be completed prior to the 2002/2003 NBA season.
- The improvements included completing the locker rooms, build-out of additional luxury suites, team store, team offices, and upgrades to club lounges and concession areas.

New Orleans Saints

- Relative to the New Orleans Saints, a \$6.75 million appropriation was made for an indoor training facility and related facilities and equipment in Jefferson Parish.
 - The Louisiana Stadium and Exposition District is authorized to use the facility for events during the professional football off-season.

FY03 Capital Outlay Appropriations

- Act 23 (HB 2) of the 2002 Regular Session appropriated over \$3.4 billion from various sources for the capital outlay program for state government, state institutions, and other public entities.
 - Included in the total is \$131.5 million from the State General Fund, one-time nonrecurring state general fund revenues resulting from the Revenue Estimating Conference recognizing the “Amnesty Program” with the Department of Revenue; \$142.7 million from Federal Funds (excluding Federal Transportation Trust Fund), \$336 million from Federal Transportation Trust Fund (statutory dedication); \$139.7 million from the state Transportation Trust Fund (statutory dedication); \$75.1 million from the TIME program (statutory dedication); and \$265.3 million in Revenue Bonds.
 - Of the total appropriated, \$403.4 million were re-appropriated for projects from FY02 for which lines of credit were issued but bonds were not sold and required reauthorization in FY03.
 - The “new” cash line of credits authorized in Act 23 totaled \$259.3 million. Priority 1 contained \$640.5 million in projects and Priority 2 contained \$282.2 million in projects. Based on these figures, there is approximately \$22 million available to fund

projects in Priorities 2 through 4. (There will not be enough funds available to fund all projects in Act 23.)

- Act 23 contained funding for a variety of significant state projects –
 - An appropriation of \$3 million was made for state agencies to “pursue innovative and creative technological approaches to provide services to Louisiana citizens in a more cost-effective and efficient manner.”
 - Act 23 also appropriated \$15 million for classroom - based technology. When added to prior year appropriations for the same type technology, over \$30 million has been appropriated.

FY04 Capital Outlay Appropriations

- Act 24 (HB 2) of the 2003 Regular Session appropriated over \$3.8 billion from various sources for the capital outlay program for state government, state institutions, and other public entities.
 - Included in the total is \$20.4 million in State General Fund and another \$4.2 from Non-Recurring State General Fund, \$87.9 million from Federal Funds (excluding Federal Transportation Trust Fund), \$450 million from Federal Transportation Trust Fund (statutory dedication), \$154.8 million from the state Transportation Trust Fund (statutory dedication), \$80 million from the TIME program (statutory dedication), and \$348.9 million in Revenue Bonds.
 - Of the total appropriated, \$556.2 million were re-appropriated for projects from FY03 for which lines of credit were issued but bonds were not sold and required reauthorization in FY04. The “new” cash lines of credit authorized in Act 24 total \$267.1 million. Priority 1 contains \$556.2 million in projects and Priority 2 contains \$428.7 million in projects. Based on these figures, there is approximately \$96 million available to fund projects in Priorities 2 through 4. (There will not be enough funds available to fund all projects in Priority 2 and no projects in Priority 3 and 4.)
- Act 24 contained funding for a variety of significant state projects –
 - A total of \$20.6 million was appropriated for the \$320 million government building boom known as the Capitol Complex project, which is the development of state office buildings in downtown Baton Rouge.
 - Within the Department of Economic Development, the Louisiana Gene Therapy Research Consortium project received \$16.5 million. The Acadiana Immersion Technology Center (AITC) project received an appropriation of \$18 million. Also within DED, \$29.9 million was appropriated for dock improvements in various parishes.

- The amount of \$20.2 million was appropriated to the Department of Health and Hospitals for a new office of public health central laboratory.
- \$14.6 million went to the Department of Natural Resources for protection and enhancement of the Atchafalaya Basin.
- The Board of Regents was appropriated \$15 million for library, instructional and scientific equipment acquisitions; \$11 million for land acquisition for post secondary educational institutions; and \$10 million for system-wide telecommunications wiring and equipment.
- A total of \$68.6 million was appropriated for use at various ports and levees in the state.
- Finally, almost \$950 million has been appropriated to various parishes, municipalities, and other non-state entities to fund projects.

Certain Exemptions from the Capital Outlay Appropriation Process

- Act 959 (HB 1403) of the 2003 Regular Session authorizes exemptions for certain projects for higher education.
- A university or higher education facility will be allowed to undertake any new construction, maintenance, or repair project not exceeding five million dollars solely funded from self-generated revenues, grants, donations, or local or federal funds without being included in the capital outlay bill provided the project is approved by the appropriate management board, the Board of Regents, the division of administration, office of facility planning and control, and the Joint Legislative Committee on the Budget.
- The exemption only applies to those projects that otherwise could not be accomplished in the normal capital outlay process due to timing or funding constraints.

Significant Legislation Impacting the State Budget Passed During the 2000-2003 Sessions

Budget Reductions and Controls

After considering a variety of proposals over a number of legislative sessions, the Legislature enacted a proposed constitutional amendment, which the voters ratified on November 5, 2002, that offered a comprehensive approach for adjusting appropriations to eliminate budget deficits, including adjusting certain constitutionally protected or mandated appropriations or allocations.

The approved constitutional amendment, Act 1236 (HB507) of the 2001 Regular Session, authorizes the governor to reduce up to 5 percent of constitutional dedications and allocations, as well as statutory funds to eliminate a budget deficit under the following circumstances:

- If a deficit is projected during a fiscal year and the State General Fund has been reduced by 0.7 percent, the protected funds may be reduced with the approval of the Joint Legislative Committee on the Budget.
- If the official revenue forecast for the upcoming fiscal year is at least 1.0 percent less than the current fiscal year, then the protected funds may be transferred to cover the expenditure needs in other funds as part of the budget development process.

In addition, there are exemptions and limitations to the budget reduction authority –

- The following funds or monies are exempt from potential reductions:
 - Bond debt payments;
 - Parish severance tax and royalty allocations;
 - State retirement contributions;
 - Louisiana Quality Education Support (8g) Fund; and,
 - Principal in the Millennium Trust Fund.
- The MFP may only be reduced by 1 percent.
- These amendments also reduced the governor's unilateral budget-cutting authority from 10.0 percent to 3.0 percent.

Act 1053 (HB1019) of the 2001 Regular Session is the statutory companion to Act 1236 which became effective upon approval of the constitutional amendment.

Deficit Elimination

To address a growing funding liability in the State Group Benefits Program and monies owed by the Health Care Services Division of the LSU Health Sciences Center to the State General Fund, the Legislature enacted Act 1182 (HB1565) of the 2001 Regular Session to create the Deficit Elimination/Capital Outlay Escrow Replenishment Fund.

The Deficit Elimination/Capital Outlay Escrow Replenishment Fund was funded from FY01 revenues generated in excess of those recognized in the FY01 Official Forecast adopted by the Revenue Estimating Conference (REC) on May 14, 2001.

The monies were reserved for use in the following priorities:

- \$62 million for payment of the FY01 deficit in state employees' group health insurance program;
- \$10 million for a partial payment of monies owed by the LSU Health Sciences Center - Health Care Services Division (HCSD) to the State Treasury;
- Funding for certain capital outlay projects;
- Payments on FY02 remaining deficit in the group health plan; and,
- Payments on the remaining portion of HCSD's debt to the Treasury.

However, these allocations were modified in Act 137 (HB132) of the 2002 First Extraordinary Session to provide only for the State Group deficit (\$66.4 million) and the HCSD debt (\$68.9 million). Other previous allocations were deleted.

Finally, Act 1182 provided that any remaining monies be transferred to the Self-Insurance Fund to replace prior expenditures that were paid out of the fund related to road and bridge hazard claims.

Tobacco Lawsuit Settlement Income Securitization and Dedications

Act 1210 (SB 1025) of the 2003 Regular Session provided for the securitization of the remaining income stream from the tobacco lawsuit settlement. Any future securitization will have to be approved by the State Bond Commission, the Joint Legislative Committee on the Budget, and a majority of the Legislature.

Previously, 60 percent of the settlement proceeds were sold. Act 1210 authorizes the sale of the remaining income stream. All net proceeds, less financing costs, are to be transferred to the Millennium Trust.

Act 1136 (HB 1819) of the 2003 Regular Session provides that the maximum amount of security to be posted in all appeals in civil litigation relating to the Master Settlement Agreement also applies to affiliates of a signatory to the agreement and all defendants.

In addition, Act 1136 also authorizes the securitization of the remaining portion of the tobacco settlement proceeds subject to the approval of the State Bond Commission, the Joint Legislative Committee on the Budget, and a majority of the Legislature.

Act 1136 went one step further than Act 1210 in that Act 1136 directed all proceeds from such a securitization to be deposited into the Millennium Trust Fund, except for an amount to be deposited into the Louisiana Fund as determined by the state treasurer and commissioner of administration as necessary to fund appropriations from the Louisiana Fund for the impacted fiscal year.

Act 11 (HB 1887) of the 2003 Regular Session provides procedures for the calculation of an inflation factor and the subsequent appropriation from the Millennium Trust.

- Prior law failed to specify the calculation method for allocating interest for appropriation.
- Under Act 11, the amount available for appropriation is derived by a formula established by law.
- The formula is the amount of estimated aggregate investment earnings recognized by REC less the product of the inflation factor determined by the REC multiplied by the amount of aggregate investment earnings for the previous fiscal year.
- The change was made effective for FY03 and thereafter.
- Act 11 provided an additional \$31.5 million for general expenditures in health care and education.

Increase in Tobacco Tax

Act 19 (HB157) of the 2002 Regular Session implemented a new twelve-cent per pack cigarette tax that went into effect in FY03 and created the Tobacco Tax Health Care Fund for the deposit of all revenues generated.

Original estimates were that the new tax would generate approximately \$27.3 million in FY03. Actual collections produced \$31 million for FY03, and the five-year forecast estimates the tax will produce roughly \$44 million in year two and approximately \$40 million each year thereafter.

All proceeds of the tax increase are dedicated for specific purposes –

- 3¢ for the Louisiana Cancer Research Center of the LSU Health Sciences Center in the New Orleans/Tulane University Health Sciences Center;
- 2.04¢ to the Louisiana Cancer Research Center for the creation of smoking prevention mass media programs and evidence-based tobacco control programs within the public hospital system, the public school system, and community based programs. Southern University is to participate in the planning and expenditure of these funds;
- 1.96¢ for the LSU Health Science Center in Shreveport;
- 1¢ for the Office of Addictive Disorders;
- 1¢ for the LSU Agricultural Center and the Southern University Agricultural Research and Extension Center, with a provision that the Southern University Agricultural Center receive \$1 million annually from this dedication;
- 1¢ for the Drug Abuse Resistance Education (D.A.R.E.) program; and,
- 2¢ for the Department of Public Safety.

Lottery Dedication

Although recent budgeting practice has been to allocate all of the Lottery proceeds (less \$500,000 to the Compulsive and Problem Gaming Fund) to the Minimum Foundation Program (MFP), Lottery monies have not been specifically dedicated to education.

Act 1305 (HB 583) of the 2003 Regular Session is a proposed Constitutional Amendment to put this longstanding practice into the Constitution. It will appear as Proposition #9 on the ballot in the primary election on October 4, 2003.

Coastal Restoration and the Use of Non-Recurring Financing

Providing a stable and sufficient funding source to address the critical problem of coastal restoration was one of the more important issues of the 2003 Regular Session.

Act 1300 (SB 213) is a proposed constitutional amendment, which will appear as Proposition #2 on the October 4 ballot, creating the Louisiana Coastal Restoration Fund in the state treasury.

Act 1300 requires the treasurer to transfer into the fund up to 20 percent of the proceeds received as a result of any future securitization of the tobacco settlement proceeds, based on the following criteria:

- A written certification of the availability of federal funding;
- Transfers from the funds are limited to the amounts necessary to maximize federal funding and may not exceed 20 percent in the aggregate earnings from the securitization; and,
- Transfers from the Health Excellence, Education Excellence, and TOPS Funds shall be made equal thirds.

Act 1302 (SB 214) of the 2003 Regular Session is a proposed constitutional amendment (appearing as Proposition #1 on the October 4 ballot) that authorizes the use of monies designated as non-recurring to be deposited into the Wetlands Conservation and Restoration Fund.

The proposed amendment also increases the cap on monies that may be deposited into the fund from \$40 million to not less than \$500 million. It also provides for a \$35 million annual allocation from the Mineral Revenue Audit and Settlement Fund to the Wetlands Conservation and Restoration Fund and authorizes additional appropriations from the Mineral Fund to the Wetlands Fund.

Finally, Act 1302 further authorizes the use of non-recurring monies for new highway construction for which federal matching funds are available.

DNA Testing

Act 487 (SB 346) of the 2003 Regular Session provides for DNA sampling and testing of persons arrested for or convicted of a felony.

To cover the expenses associated with the passage of this legislation, \$4 million was appropriated in the FY04 General Appropriation Act.

Tax Credits

Act 84 (HB 267) of the 2002 Regular Session extended the sunset date for which new capital can be certified into the program from December 31, 2000, to December 31, 2003, in the Louisiana Capital Companies Tax Credit Program (CAPCO).

Act 84 also reduced the insurance premium tax credit from 110 percent to 100 percent and prohibited companies from taking the premium tax credit against tax liabilities for two years.

Finally, Act 84 reduced the total amount of credits from \$8 million to \$5 million and the amount of income tax credits for each year from \$4 million to \$2 million.

Supplemental Pay

On November 5, 2002, the voters approved a proposed constitutional amendment (Act 1234 [HB 485] of 2001 Regular Session) requiring the governor to include full funding of state salary supplements for full-time local law enforcement and fire protection officers in the annual budget estimate.

Beginning July 1, 2003, the Legislature is required to appropriate sufficient monies to provide for such supplemental payments, and the sufficient funding level is defined as the amount in effect on July 1, 2001. Such supplemental payments may only be reduced by written consent of two-thirds of the elected members of each house of the legislature.

Eligible law enforcement and fire protection officers include those persons eligible as of July 1, 2003.

Saints and Hornets Inducements

Inducement agreements were made during the 2002 First Extraordinary Session of the Legislature to retain the Saints football team in New Orleans and to relocate the Hornets basketball team from Charlotte. This legislation allowed the Governor to negotiate the inducement agreements with each franchise.

- Act 73 (HB 46) redirected a portion of an existing one-percent hotel occupancy tax in Orleans Parish to the New Orleans Sports Franchise Fund to fund contractual obligations of the state relative to any National Football League (NFL) or National Basketball Association (NBA) franchise located in Orleans Parish. The first \$2 million in collections from the tax were dedicated to Phase IV construction of the Ernest N. Morial Convention Center.
- Act 152 (HB 103) provided for a supplemental appropriation of \$1.75 million in State General Fund in FY02 to the Department of Economic Development to reimburse the Charlotte Hornets for their NBA application fee and for transitional and relocation expenses incurred in relocating the franchise to New Orleans.
- Act 153 (HB 144) revised the Quality Jobs Program to expand eligibility to a NBA team that relocates to Louisiana prior to November 1, 2003 and limits the total tax rebate to \$3.65 million in any given year.
- Act 164 (HB 67) amended the 2001 Capital Outlay Act to add projects for NBA upgrades to the New Orleans Arena in the amount of \$10 million and for construction of an indoor football practice facility for the New Orleans Saints in the amount of \$6.75 million.

GARVEE Bonds

Act 46 (SB 80) of the 2002 Regular Session allowed the State Bond Commission to issue revenue bonds known as Grant Anticipation Revenue Vehicles (GARVEE) to finance state or federal-aid transportation projects secured by annual federal transportation funds or state matching funds appropriated by an annual basis by the state. The purpose of issuing debt would be to accelerate the construction of transportation projects. As of this writing, the state has not issued debt pursuant to this legislation.

Act 46 also limited the amount of principal and interest on such bonds to 10 percent of the annual federal highway fund obligation to DOTD. Before the Joint Legislative Committee on the Budget and the Joint Committee on Transportation, Highways and Public Works may consider for approval any proposal for issuing GARVEE bonds, prior review and written approval must be obtained by the Attorney General and the State Bond Commission on the issuance.

Federal legislation, the National Highway System Designation Act of 1995, expanded the eligibility of bond financing costs for federal-aid reimbursement to allow states to issue debt to finance the costs of federal-aid projects based on the anticipation of future federal-aid highway funds.

Gaming Dedications

Act 1009 (HB 88) of the 2003 Regular Session reallocates monies in the Pari-Mutuel Live Racing Gaming Control Fund prior to being deposited into the General Fund. The new annual allocations are as follows:

- \$750,000 to the Equine Health Studies Program Fund for use in such studies at the LSU School of Veterinary Medicine;
- \$750,000 to the Southern University Agricultural Center Program Fund for programs at the Southern University Agricultural Research and Extension Center;
- \$200,000 for the improvement and beautification of New Orleans City Park; and,
- \$500,000 for the Lighthouse for the Blind in New Orleans, Inc. (Act 1009 retains the \$1 million allocation split equally between the Affiliated Blind of Louisiana and the Louisiana Center for the Blind at Ruston.)

Act 352 (SB 828) of the Regular Session added Orleans Parish to the list of parishes eligible to conduct slot machine gaming at live horse racing facilities and provided for limitations on the number of machines which may be operated at such facility. The Act also creates the Orleans Parish Excellence Fund and provides for depositing proceeds into the fund. Specifies the uses of monies in the St. Landry Parish Excellence Fund and monies in the Bossier Parish Truancy Fund.

Provides for new annual dedications of monies associated with the conduct of slot machine gaming at live racing facilities, as follows:

- Abolishes the Bossier Education Excellence Fund (BEEF) and creates the Bossier Parish Truancy Fund. Dedicates the funds, pursuant to Legislative appropriation, to the District Attorney of the 26th Judicial District for a truancy program.
- Dedicates monies in the St. Landry Parish Excellence Fund to be used, pursuant to Legislative appropriation, solely by the St. Landry School Board and the Louisiana Community and Technical College System for the construction and operation of a Career and Technology Center.
- Dedicates monies in the Orleans Parish Excellence Fund to be used, pursuant to Legislative appropriation, solely by the Louisiana Community and Technical College System for the construction and operation of an Allied Health and Nursing Program.
- Provides for the use of remaining monies, as follows:
 - \$50,000 for the Southern University Urban Tourism and Marketing Program.
 - \$50,000 for the Orleans Parish District Attorney's Office.